

Introduction to Energy-Efficiency Loans from the Carbon Trust

Interest-free loans for businesses that want to save energy and money

What are Energy-Efficiency Loans?

Carbon Trust Energy-Efficiency Loans are part of a £10 million government backed initiative. The interest-free loans of between £5,000 and £100,000 are available to qualifying small and medium sized enterprises (SMEs) looking to invest capital in energy saving projects. The loans are repaid over a period of up to 4 years.

Why should SMEs be interested?

Energy efficiency makes sound economic sense. When upgrading existing equipment even a modest investment in energy saving equipment can save a company over 20% on energy bills. In favourable cases the amount of money saved each month will exceed the loan repayments thereby increasing company profits by hundreds, or thousands, of pounds each year throughout the payback period. Thereafter the full value of the saving contributes to the bottom line.

Acknowledging that capital for such investment is often difficult to obtain, Energy-Efficiency Loans are intended to reduce this barrier by providing access to capital on very favourable terms:

- ✧ Completely interest-free
- ✧ Repayment period of up to 4 years
- ✧ No arrangement fees

As well as reducing the operating costs of business, greater energy efficiency also reduces the amount of carbon dioxide emissions thereby helping combat climate change.

What are the Eligibility Criteria to Apply for an Energy-Efficiency Loan?

Both the company making the application and the energy saving project itself have to meet some basic criteria. These are outlined below.

The Company

To be eligible the company must be based in England, Northern Ireland, or Wales and has to fall within the definition of an SME, namely:

- (1) Less than 250 employees
- (2a) Less than 40m Euros Turnover (approximately £25m) or
- (2b) Less than 27m Euros assets (approximately £17m)
- (3) No controlling interest more than 25% by a non-SME
(i.e. it is part of a larger organisation)

In addition the company should have a trading record of more than 12 months. We are generally unable to make loans to companies in the Transport sector, activities linked to the production, processing, or marketing of Agricultural or Fisheries products, or for export-related activities. Further details are available from the Carbon Trust Energy Helpline on [0800 58 57 94](tel:0800585794)

The Investment

Energy-Efficiency Loans are intended to encourage qualifying companies to invest in energy saving equipment that either upgrades or replaces existing facilities. Any project where the cumulative value of the energy savings resulting from the project over the first 5 years exceeds the capital value of the loan may qualify.

Examples of the type of equipment that can offer considerable energy savings to business include:

- Energy saving lighting
- High efficiency electric motors and drives
- Boilers and heater controls
- Building insulation
- Compressed air systems and fittings
- Insulation for boilers, hot water tanks, and pipe work
- Heat recovery systems
- Lighting controls

Note also that the loan may be used to cover, for example, installation and commissioning as well as the capital cost of the equipment provided the payback criteria are still met.

How to Apply for an Energy-Efficiency Loan

The first step is to contact the Carbon Trust, by calling our [Helpline on 0800 58 57 94](tel:0800585794). Alternatively, companies are encouraged to complete the preliminary eligibility checklist on our website www.thecarbontrust.co.uk/energy and send it to us.

Once initial eligibility has been confirmed each project, or set of projects, is assessed on its technical merits and energy saving potential. In cases where the applicant has not completely specified their project, i.e. decided on specific equipment and a chosen supplier, the Carbon Trust offer free technical advice. The applicant(s) could qualify for a Free Site Survey if their energy bills are over £50,000 per annum.

In addition the Carbon Trust Delivery Programme offers more general advice to help enterprises identify areas where and how they can make energy savings at 'no cost', 'low cost', or through capital investment.

For Loan applications the company must obtain its own quotations for the project from suppliers and ultimately take the decision on whether to invest. We expect the chosen supplier to provide the client with data that quantifies the likely cost and energy savings prior to the client submitting their Loan application. A Carbon Trust consultant will then contact the client to discuss the project and to calculate its potential for carbon dioxide emissions abatement.

Once a technically eligible project has been identified by the Loans Team, a credit check will be carried out. We assess the overall application and, if appropriate, offer the interest-free loan. The company may then order the equipment and we will forward the loan upon receipt of a copy of the supplier's invoice covering the project.

The Loans Team aims to make a loan decision within two weeks of receiving the fully completed Loan application form together with all the required supporting information.

Further Information

Eligibility

Energy-Efficiency Loans are considered to be State Aid. They are offered under the 'de minimis' exemption to the State Aid regulations. This exemption does not cover the Transport sector, activities linked to the production, processing, or marketing of Agricultural or Fisheries products, or for export-related activities. As a result Energy-Efficiency Loans cannot usually be offered in these cases.

The amount of 'de minimis' aid offered to any company in a three year period is limited to €100,000 (currently approximately £60,000). We ask applicants to complete a declaration that they are not receiving other aid that would take them over this limit.

Applicants must fall within the EU definition of a small and medium size enterprise: an organisation having no more than 250 employees, an annual turnover of no more than €40 million (approximately £25m), or an annual balance sheet total not exceeding €27 million (approximately £17m), and not more than 25% of the capital or voting rights owned by an enterprise which is not itself an SME.

To qualify, the cumulative value of energy savings estimated for the project in its first 5 years must be greater than the value of the loan. Other savings, e.g. maintenance, are not taken into account for this calculation.

Energy-Efficiency Loans are primarily intended for projects to replace inefficient existing equipment with a more efficient alternative which uses less energy. However other projects may be considered providing they achieve a reduction in carbon dioxide emissions. A minimum hurdle for emission reductions per £ loaned can be obtained from the Helpline. This is only likely to be an issue for projects that involve switching from one fuel to another, where cost savings derive from differing fuel tariffs without actually reducing energy consumption.

Energy-Efficiency Loans are primarily aimed at trading, profit-making companies. Other organisations (e.g. partnerships, not-for-profit companies, charities) are encouraged to apply, however they must still pass a credit check and may need to provide additional information.

Each application will be assessed on a case by case basis, taking into account the credit rating of the company, the suitability of the proposed project and its potential for energy saving. A project that qualifies for a loan for one company is not guaranteed to qualify for any other company.

Loan availability

The Carbon Trust reserves the right to manage a balanced portfolio of loans by limiting applications from certain sectors, or through loans of certain sizes, or based on other criteria. We will endeavour to let applicants know at the earliest opportunity if their application is unlikely to be successful on these grounds.

The Energy-Efficiency Loans are available in England, Wales and Northern Ireland. A similar scheme, Loan Action Scotland, is available in Scotland. For more information visit www.energy-efficiency.org.uk

Application process

An adviser (usually a Carbon Trust consultant) will be assigned to validate each application. An adviser may also assist the applicant with identification of suitable energy saving projects. However, the adviser cannot recommend individual equipment suppliers or specific items of equipment. During technical assessment the adviser's primary role is to verify the suitability of the project to the Carbon Trust, and not to the applicant. The Carbon Trust cannot 'guarantee' energy savings.

Following completion of the project the applicant must send us a copy of a commissioning certificate from the supplier to confirm the work has been undertaken.

Terms and Conditions

Loans are repayable over a 4 year period in equal instalments by monthly direct debit. Repayments must be made, even if the project does not achieve the savings projected in the loan application.

A full set of terms and conditions for the Loan agreement are available on request, along with a summary of the key features.

What is the Carbon Trust Delivery Programme ?

- The Carbon Trust's programme is working with business and public sector organisations to cut energy costs by increasing energy efficiency through professional and impartial advice and support. In addition to interest-free Energy-Efficiency Loans, the Carbon Trust's services include:
- Free Helpline: **0800 58 57 94** providing practical energy saving advice
- Online information: www.thecarbontrust.co.uk/energy
- Publications across a wide spectrum of industries on energy saving measures
- Free onsite energy surveys to identify opportunities for energy savings
- Events providing general advice as well as specific technical knowledge
- Energy efficient and environmentally conscious building design through Design Advice

Further Carbon Trust support

- Energy-Efficiency Loans are available for small and medium sized enterprises wanting to upgrade or replace equipment with more energy efficient model(s) as part of an energy saving project. The loans of between £5,000 and £100,000 are unsecured and interest-free. They are repaid over 12, 24, 36 or 48 months dependent upon the value of energy savings associated with the project. Terms and conditions apply.
- Further information and advice is available **free** from the Energy Helpline - **0800 58 57 94** or visit the website at www.thecarbontrust.co.uk/energy

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The Carbon Trust works with business and the public sector to cut carbon emissions and capture the commercial potential of low carbon technologies. An independent company set up the Government to help the UK meet its climate change obligations through business-focused solutions to carbon emission reduction, the Carbon Trust is grant funded by Defra, the Scottish Executive, the National Assembly for Wales and Invest Northern Ireland.